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# FOREIGN AGRICULTURE

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**Future of Beef Production in Western Europe**  
**Cheese: Story of the Big Wheels**

Foreign  
Agricultural  
Service  
U.S. DEPARTMENT  
OF AGRICULTURE



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## This week's cover:

Europeans, such as this Parisian shopper, are increasing their consumption of beef. For a look at prospects for increased beef production in Western Europe see story beginning this page.

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# Prospects of Production in

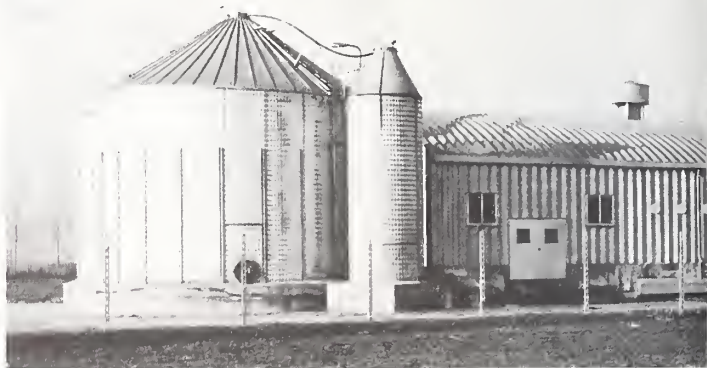
Conditions for expanded beef consumption and production in Western Europe appear favorable, with personal income high, beef enjoying good consumer acceptance, and profit margins attractive for producers and marketers of cattle and beef. Yet the average consumer in the European Community eats only 40 percent as much beef as his U.S. counterpart, and pays 50 percent more per pound for it.

Behind this seeming paradox is a traditional consumer preference for veal in many European countries, a long history of producing beef as a sideline to the dairy industry, and an uneconomic and inefficient slaughter and marketing system. Whether and how soon this may change is hard to predict. One sign of change is the beginning, in a few areas, of intensive cattle feeding.

A group of U.S. specialists<sup>1</sup> who recently reviewed the European beef industry at the request of the U.S. Department of Agriculture found the Po Valley of Italy to be the most advanced area in commercial beef production in Western Europe. Estimates of the number of cattle currently on feed range up to 500,000 head. "Confined feeding," mostly of dairy or dual-purpose bulls, is the general rule, although Italian feeders prefer Charolais or Limousin specialized beef breeds. Finishing rations are based largely on corn supplemented with soybean meal. There is a need for more supporting businesses, organizations, and services for the growing beef industry in this area.

Elsewhere in Western Europe, commercial cattle feeding is much less advanced. France has about 10 large specialized operations, but only one or two run over 1,000 head per year. In West Germany some 5,000 Bavarian farmers are feeding out from 30 to 200 head each—a development of the past 5 years. Most feeding is done rather primitively in converted dairy barns. In the United Kingdom, large-scale beef fattening

<sup>1</sup> This article is based on the preliminary report of that group, which visited seven countries in Western Europe in early 1970. For more details, see Foreign Agriculture Circular FLM 1-70, dated May 1970, available without charge from Foreign Agricultural Service, USDA, Washington, D.C. 20250.





# Increased Beef Western Europe

is barely beginning. The United Kingdom, although renowned for hearty beef eating, consumes only about half as much per capita as the United States. Profits from feeding beef appear attractive. Although slaughter cattle prices are lower than on the Continent, calf prices are lower and feedstuffs are cheaper.

Beef industry profits on the Continent are also attractive by U.S. standards, although accurate data on costs and returns are difficult to obtain. (Grain-finished "baby beef" is rare, and market price quotations are lacking. Most of the better cuts of beef flow through small shops and no price or cost data are available on these.) Dressed beef prices are substantially higher than those in New York for comparable grades, ranging from 22 percent higher in Paris to 50 percent higher in Milan.

Slaughtering margins are one-third greater in Italy than in the United States. (Most beef slaughtering in Europe is done in old municipal abattoirs or by small butchers.) On the other hand, EC prices for feeder calves and feed costs are also higher than in the United States. In spite of inefficiencies in the marketing system and higher costs, feedlots observed by the U.S. study group showed profits of as much as \$126 per head on an efficient 120-day feedout operation in Italy.

The type of integrated operation of one firm observed by the U.S. study group in the United Kingdom may have wider application. A feed mill is owned by a parent company which also owns slaughter and distribution facilities. The feed mill buys calves and produces complete pelleted feeds for each stage of growth. The mill contracts with farmers to rear the calves. The feeders receive the equivalent of 4 cents per pound of grain, which covers all "nonfeed" facility and labor costs.

A shortage of calves to feed is an important factor limiting beef production in Western Europe. Italy imported more than a million calves in 1969 from Eastern Europe, Austria, Germany, France, and the Low Countries, and its needs are growing rapidly. Plans of a large northern European super-market chain to launch a cattle feeding operation that could handle 80,000 head a year in two 180-day feeding periods have been postponed because of uncertainty about the supply



*Lower left, an automated beef-feeding barn near Verona, Italy, with controlled atmosphere. Below, Simmenthals at the cattle fair, Modena, Italy. Right, Charolais slaughter animals, France. Above, Paris beef shop.*





of animals to feed. Potential sources of feeder cattle are being explored in Latin America and Africa (although these involve health hazards), and feeding of calves imported from the United States may be profitable.

In the long run, however, it appears that Europe may have to develop its own supply of calves, either through expanded beef breeding (cow/calf) operations or by diverting calves from veal production. Europe has an excellent nucleus for a specialized beef branding herd in such fine cattle as the Charolais and Limousin in France; the Piemontese, Marchigiana, and Chianina in Italy; and the Simmenthal in Germany. All these breeds have high genetic capability for efficient beef production, and, in addition, European dairy breeds are generally a beefier, more dual-purpose type than the versions familiar in the United States.

Within the EC, areas which appear to be well suited to cow/calf operations include the French Massif Central, the French foothills of the Alps and the Pyrenees, areas on both sides of the German-Belgian-French frontier, southern Bavaria, the Alpine foothill regions of Italy, and Sicily and Sardinia.

Another area suitable for the establishment of cow/calf operations is in Spain. The climate is excellent, and high-nutrient roughages can be green chopped 9 to 11 months per year. Since slaughter cattle prices are favorable, Spain apparently could both produce beef profitably for domestic consumption and supply breeding animals and feeder calves for the feedlot operations that are developing in Italy and Northern Europe.

Operating to limit the supply of feeder animals for beef

finishing from the present pool of available calves in the EC is the competition between veal and beef producers. This is an indirect result of the high level of dairy price supports set by the EC under its common agricultural policy. Under this policy, large milk surpluses have been built up, and the excess nonfat dry milk powder is sold at subsidized prices for use in milk replacer for feeding veal calves. Since white veal commands premium prices from European consumers, veal producers can usually outbid beef producers for calves.

The number of veal calves slaughtered appears to be declining in the EC, while the slaughter of heavier cattle is increasing slightly. Even so, nearly 8 million calves were slaughtered in the EC in 1968, constituting almost 40 percent of the combined slaughter of cattle and calves. This contrasted with less than 6 million calves slaughtered in the United States in the same year, or 14 percent of the total slaughter.

There is considerable evidence, however, that a swing to beef feeding would have several advantages for livestock producers and other small farmers of Western Europe. The U.S. study team mentioned earlier points out, for example, that returns to management from finishing beef to 1,100 pounds are approximately \$100 more per head than for vealing at 350 pounds. It concludes that, under reasonable assumptions, returns to land and management from producing corn silage could be \$16 more per acre than from barley if the silage were sold and \$130 more if it were fed to beef. It also notes that a small farmer should be able to handle four times as many beef as dairy animals and that returns to labor and management from beef finishing would be about 2½ times greater than from dairying.

## Canada's "Operation Lift" Halves Prairie Wheat Area

According to Dominion Bureau of Statistics estimates released in mid-July, area planted to wheat in Canada's Prairie Provinces in 1970 is 12.0 million acres, or slightly less than half the 1969 average—24.4 million acres. Wheat plantings in 1970 are the smallest since 1914 when prairie wheat area was only 9.3 million acres.

The cut in wheat plantings is the result of "Operation Lift," a program of the Canadian Government to drastically reduce wheat production and surpluses. (Adverse weather at seeding time also contributed to the acreage decrease.) The program was announced February 27, 1970, and had two major points.

First, farmers who converted 1969 wheat land to summer-fallow or perennial forage in 1970 were entitled to receive Can\$6 per summerfallow acre and Can\$10 per forage acre. This part of the program was designed to give alternative income to wheat farmers and at the same time to prevent a mass switch to other prairie crops (for example, rape, flax, barley, and oats) with the production of surpluses for these commodities. Compensation payment was assured for up to 22 million acres converted to summerfallow and up to 2 million acres put into additional perennial forage.

Second, the wheat delivery quota for the 1970-71 crop year for each prairie farmer was based on the number of acres taken out of crop production and put in either summerfallow or forage. A quota is figured on the total of 25 percent of a farmer's wheat acreage in summerfallow in 1969 plus all the acreage in summerfallow in 1970 plus the amount by which acreage in perennial forage in 1970 exceeds the acreage in perennial forage in 1969.

At the time "Operation Lift" was announced the Canadian

Government estimated that as of July 31, 1970, just before wheat from the 1970 crop would begin to be harvested, Canada's carryover wheat stock would be approximately 950 million bushels—the equivalent of nearly 2 years' normal disappearance (exports plus domestic consumption). The government hoped that its program would result in a radical reduction in wheat acreage—even by as much as 22 million acres—so that extremely light 1970-71 production would create demand for the wheat already in stock. Much of this wheat is still on farms because growers could not deliver it under their wheat quotas or because elevators were clogged with surpluses. Growers have received no payment for such wheat.

One of the situations "Operation Lift" was designed to relieve was the shortage of cash among prairie grain farmers—particularly those in Saskatchewan, where wheat stocks on farms are the greatest.

"Operation Lift"—Lower Inventory For Tomorrow—has been partially successful. Canada's 1970-71 wheat harvest will be the smallest for many years (now estimated at 240 million to 300 million bushels), but it will not be as small as the Canadian Government would like.

Furthermore, there has been some switch from wheat to alternative crops rather than taking wheat land out of production. A little over 8 million acres of the 12 million acres of former wheat land went into summerfallow; but about 1.1 million acres was planted to flax and a little over 2 million acres to rape in addition to last year's acreage plus a slight increase in barley acreage. Barley acreage in 1970 is 106 percent of 1969 acreage, rye 110 percent, flax 145 percent, and rape 196 percent (see p. 14 of this issue).

# Canada's Floating Dollar—and U.S. Farm Trade

By O. HALBERT GOOLSBY  
*Foreign Development and Trade Division  
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Since the Canadian dollar was freed from its fixed relationship with other world currencies on May 31, it has generally fluctuated between 95.5 and 97 U.S. cents, contrasted with the 92.5-cent figure at which it had been pegged for 8 years. Thus it has increased in value by 4 or 5 percent.

At some future point the Canadian Government will probably establish a new par value based upon the new value established by free market forces. Assuming that this new value also is somewhat above the old level, how will U.S. agricultural trade be affected?

Possibly, both by an increase in Canadian farm imports from the United States and by a decrease in Canadian farm exports—not only to the United States but to markets where the two countries are competitors. With the appreciated currency, Canadian importers will be able to purchase the same quantity of a commodity in the international market with fewer Canadian dollars. This may increase imports. On the other hand, Canadian exports will be more expensive in foreign markets—including the United States—and thus may decline.

## The import side

Canada has been the second largest foreign market for U.S. farm commodities for a number of years; in 1969, it imported \$509 million worth. Only Japan ranks higher as a U.S. customer (not counting the EC as one market). Over the last 3 years about 8 percent of U.S. farm exports have gone to Canada (excluding transshipments). The primary commodities exported, and the average 1967-69 values, are: Fruits and vegetables, fresh, preserved, and prepared (\$204.0 million); oilseeds, mostly soybeans (\$93.7 million); feedgrains (\$34.1 million); meat, excluding poultry and meat products (\$28.0 million); oilcake and meal, including protein meal (\$22.5 million); and cotton (\$19.9 million). The consumption of these commodities by consumers in Canada will increase if (a) the reduction in prices due to revaluation is passed along by the importer and other distributors to the consumers and (b) consumers respond significantly to a reduction in price. Typically, a reduction in the price of meat and some fruits and vegetables leads to an increase in the quantity consumed.

## The export side

The United States could also benefit from decreased export competition as a result of higher Canadian farm export prices. However, only 10 to 15 percent of Canada's total exports are agricultural commodities. Its leading farm export is wheat and wheat flour, which accounted for about 35 percent of all farm exports in 1969; but a large proportion of its wheat is shipped to the USSR, Communist China, India, and other areas that are not typically commercial markets for the United States. Furthermore, the Canadian Wheat Board, assisted by the Board of Grain Commissioners and by the private grain trade, operates a monopoly for commercial marketing, including exports on behalf of grain producers in the Prairie Provinces. Policies by the CWB could easily offset any advantage

the United States might gain by higher prices on Canadian exports. This is also true for barley exports.

Tobacco is also an important farm export of Canada's, and the type exported is similar to the principal one produced and exported by the United States (Virginia flue-cured). The primary export market for both countries is the United Kingdom. In this market the Canadians have a Commonwealth preference, but the increase in the Canadian dollar will improve the competitive position of the United States. The United States' position will also be improved somewhat for flaxseed and rapeseed, which are exported mostly to European nations and Japan.

The Canadian revaluation will also make U.S. farm imports from Canada more expensive. In 1969 the United States imported over \$23 million of beef and veal and over \$25 million of pork. And Canada's action will increase the cost to the United States of importing purebred cattle from Canada, which equaled \$10.6 million in 1969.

## Background of the currency change

Since May 2, 1962, the Canadians had maintained the value of their dollar within a narrow range around its par value, in keeping with the Articles of Agreement of the International Monetary Fund (IMF). Under the rules of the IMF a government must keep its currency within a range of 1 percent below or above the par value. When the value of a currency approaches the lower limit the government must buy its own currency—using its foreign exchange reserves to make the purchase. If a currency approaches the upper limit, the government must sell its national currency. In such cases it receives foreign exchange as payment.

It was the latter situation that disrupted monetary conditions in Canada during the first 5 months of 1970. The Canadians have been fighting inflation by following a tight monetary policy. As a result, interest rates have been relatively high and currencies from abroad entered Canada to take advantage of these rates. Furthermore, the Canadians have had a very healthy balance of trade. The surplus on this trade in the first quarter of 1970 was nearly \$560 million. As currencies entered the country the Canadian Government bought them through its central bank. However, foreign exchange entered so rapidly that the government's cash balance of its own currency dwindled from \$1.3 billion at the end of 1969 to an inadequate level of \$424 million by the middle of May. The inward flow of foreign funds could have been reduced, or reversed, by increasing the money supply or by adopting other policies which would have brought interest rates in line with those elsewhere. But this would have been a retreat from the fight against inflation. The only practical alternative left was to cease purchasing sufficient U.S. dollars to maintain the par value of Canada's currency at 92.5 U.S. cents.

Under these circumstances, the value of the Canadian dollar could only increase. Within a few hours after the money markets in financial centers in Europe opened on June 1 the value of the Canadian currency moved to about US\$1.00. By the time banks in the United States and Canada opened, the value had dropped to around 97 U.S. cents. At this point the central bank of Canada entered the market to stabilize the price but not to maintain it at any particular level.



# A European Essay: The Revised Mansholt Plan

By WILLIAM ROENIGK  
Foreign Regional Analysis Division  
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A revised Mansholt Plan, submitted to the EC Council of Ministers in May 1970, may be a signal that EC policy-makers are tending toward the differentiation of agricultural pricing policy and agricultural income policy.

Assuring adequate incomes to small farms has continually been an issue in EC countries. In the past, high commodity support prices have been tried. They have resulted in mounting budgetary costs to FEOGA, the Community's agricultural fund for supporting producer prices, subsidizing exports, and restructuring farming. FEOGA's costs are expected to approach \$3 billion for the 1970-71 marketing year. Only limited improvement of farmers' incomes has resulted. To pursue an efficient agricultural income policy, the EC would have to take steps to restructure its farm production so that individual farmers produced greater quantities more economically. Farm restructuring is a thorny issue among EC countries.

The original approach to restructuring EC agriculture—the first Mansholt Plan (submitted to the EC Council in December 1968 and named after Sicco Mansholt, vice president of the European Commission)—has produced much debate over agricultural reform within the Community but few results because it was never adopted as a plan. Measures for the slaughter of dairy cows and the nonmarketing of milk (see *Foreign Agriculture*, June 8, 1970, p. 6) have been among the few actions taken to rationalize farm production at the Community level. Uprooting orchard trees was another, smaller program.

Instead, problems have been tackled on a short-term basis at the marketplace instead of on the farm by means of intervention (support) prices and domestic and foreign food aid to lower stocks of surplus items.

## Something old, something new

The revised Mansholt Plan is, like the first version, based on restructuring EC agriculture so that farmers can achieve an equitable standard of living in the Community. Unlike the first EC-wide version, however, it stresses agricultural reform at the national level and has a decentralized approach.

The national responsibility is pointed up by the limitation on use of funds from FEOGA to 50 percent of total costs in each EC country.

At the same time that specific plans for restructuring agriculture are proposed to be the individual responsibilities of EC member countries, EC-wide coordination is planned for the following broad objectives:

- Developing and enlarging those farms that are now or can be economically viable.
- Reducing the number of farms and as a result of this action, the number of farm operators.
- Encouraging farmers to market their commodities through producer organizations.
- Reorienting production toward deficit commodities, such as beef and veal.
- Reducing land area used for agricultural production.
- Encouraging reforestation and other nonagricultural uses

of land—for example recreational land utilization.

It may be noted that measures to achieve the six EC-wide objectives in agriculture fall into two categories: those to reorganize farms and those to move land resources out of agriculture.

## Measures to reorganize farming

Specific measures proposed in the revised Mansholt Plan to help reorganize EC farming are interest-rate subsidies for farm investments, initial subsidies for farm development, subsidies to encourage meat production, restricted subsidies for expansion of milk production, and the organization of producer marketing groups.

*Interest-rate subsidies* are proposed to reduce the costs of interest rates to farmers for projects developing or improving viable farm operations. The maximum subsidy would cover a 6-percent interest rate, except for the purchase of land or livestock. Each participating farmer would have to pay at least 2-percent interest. Thus, if the market rate of interest for a farm development project were 8 percent, 6 percent of the interest could be subsidized and 2 percent would be paid by the benefiting farmer.

*Initial subsidies* of up to \$5,000 are proposed to aid farmers when they initiate development projects for viable farms. Such sums would help farmers to meet initial reorganization costs. In addition, a subsidy of \$100 per year would be available for 3 years to help a farmer establish an accounting system.

*Meat-production subsidies* of \$60 per hectare (about \$24 per acre), up to a maximum of \$6,000 for a 3-year period, are proposed to encourage farmers to switch to meat production—especially beef and veal. If farmer investment is intended to increase pork or poultry production, a subsidy would be granted only if at least half of the feedstuffs required in the meat-raising operation were grown on the farm.

*Restricted milk-production subsidies* for dairy herd expansion are proposed, but a subsidy (really designed to encourage meat production) would only be applicable if at least one-third of the recipient farm were in pasture. Since most cattle in the EC are dual-purpose animals, an increase in milk production implies an increase in beef and veal output.

To further lessen increased milk output, a cow-slaughter subsidy of \$200 per animal is planned for farmers receiving retirement or structural-improvement subsidies if the farmers agree to slaughter their entire dairy herds. This option would be available until the end of 1973.

*Producer marketing groups* are suggested that would gradually take responsibility for the marketing of various commodities. Under this plan national governments would be relieved of guaranteeing prices. Funds would be made available to meet initial organizational costs.

The producer organizations would have the authority to balance supply of a commodity to its demand.

## Emphasis on farm viability

Most of the subsidies to reorganize farming are to be given only to viable or potentially viable production units. In general, the revised Mansholt Plan has replaced the goal of the original plan (creating large agricultural operations) with the



more politically attractive idea of giving aid to viable farms. (This approach to improving farm structure has already been applied to some extent in West Germany.)

To be classified as a viable farm, a farm must be worked by a fulltime operator, must maintain financial records, and must have a 6-year development plan aimed at achieving an annual reduced gross output (value of total output less cost of purchased seeds and feedstuffs) of at least \$20,000 within 3 years. In addition, a maximum labor requirement of 2,300 hours per year per man is stipulated—or a work week of six 8-hour days less vacation time. Further, each farm worker must attain a reduced gross output of at least \$10,000 per year. A farm with a reduced gross output of \$20,000 per year could not have more than two workers, including the operator. An average EC dairy producer who employs one worker would need a herd of about 60 cows.

#### **Measures to reduce farm land and labor**

The revised Mansholt Plan proposals to reduce land being used for agriculture include subsidies for farmworker retirement and retraining and subsidies for reforestation.

*Subsidies for reducing farm labor* by both retirement and retraining are suggested. Farmers and farm wage earners who are 55 years of age or older could receive a pension of about \$1,000 per year if they retired from farming. Farm owners or leaseholders in this age group who ceased farming would receive a payment of at least eight times the usual land rent if the land meets certain conditions. For the owner to receive

the proposed rent payment, released land must be used to help achieve the development plan of a viable farm or else be used for reforestation or recreational purposes.

It is also suggested that funds be set aside to retrain farmers for other occupations. Related subsidies, such as that for family maintenance during retraining, would also help the movement of labor out of agriculture.

*Reforestation subsidies* of several types are proposed. One suggested subsidy would compensate for 80 percent of the cost of planting land to trees if the land had been farmed for the past 3 years with a given minimum yield. Another subsidy would compensate farmers who reforested their land with the equivalent of 9 years of property tax, and, in certain situations, with some money for lost income.

Similar measures have been proposed for recreation land.

#### **Restructuring costs**

The estimated costs submitted with the revised Mansholt Plan indicate a total cost for the first 5 years of operation of about \$5.7 billion shared about equally between FEOGA and EC member countries. The largest expenditure would be for subsidies to producers who cease farming and the next largest for subsidies for farm reorganization. Although the revised Plan is for a 10-year period, costs for only 5 years were estimated. According to the EC Commission, various risks, uncertainties, and possible reactions from EC member countries would influence greatly the possible expenditure for the second 5 years of the Plan.

## **Irish Agriculture Gets Bigger Share of National Budget**

The Irish Government is devoting 20 percent of its \$1.15-billion 1970-71 budget to support the agricultural sector of the economy. The \$230.4-million farm expenditure is earmarked to be spent in the fiscal year which began April 1970, and is 5.5 percent greater than the sum spent for the agricultural sector last fiscal year. The total state expenditure for 1970-71 is estimated to be almost \$72 million greater than the 1969-70 budget. The increase in 1970-71 government expenditures resulting from higher farm allowances is being met partly by doubling the retail sales tax and partly by a surplus from last year's budget.

The largest farm budget expenditure—\$90 million—is to finance price support payments and export subsidies on dairy products, beef, mutton, lamb, pork, and grain. Of this sum, all but \$14.4 million will be spent to support dairy production. Allowances for dairy and meat products were increased in the budget year 1970-71; price supports and export payments for grain were reduced by \$1.2 million from last fiscal year.

The next highest budget element—\$56.0 million—is for production subsidies. These represent partial relief on the cost of machinery, buildings, and fertilizers; they also take the form of grants for increases in productive livestock numbers and total output. Another \$49.7 million is for relief from land and building taxes charged by local authorities.

Other measures introduced in the budget were a new scheme of grants for mushroom houses, bigger grants for farm buildings, a beef export grading scheme, and more money to promote dairy products on the domestic market. Most of the increases become effective immediately. The benefits are expected to raise average farm-family income 8 percent.

Farmer reaction to the increased subsidies has been rela-

tively restrained even though the additional \$12 million to be granted in subsidies falls short of the \$33.6 million the Irish agricultural minister promised farmer organizations in pre-budget talks. No real criticism of the new measures has been voiced so far, although milk producers seem less contented than other farmers. Perhaps the reason for the absence of criticism is a recent white paper issued by the Irish Government which discussed that country's possible membership in the European Community. It predicted a fairly bright future for Irish agriculture within the EC.

—Based on dispatch from EUGENE T. RANSOM  
*U.S. Agricultural Attaché, Dublin*

## **Ecuador Nationalizes Sugar Exports**

The Government of Ecuador, by Cabinet decision, recently nationalized sugar exports. The government intends to buy sugar directly from producers at a cost determined by the National Sugar Commission, plus an allowance for a reasonable profit. The final export of sugar to foreign markets would then be controlled. The government expects by this action to obtain a substantially larger share of sugar export profits for the benefit of all the country instead of a relatively small group of producer exporters.

Practically all sugar exports from Ecuador are to the United States. The 1970 quota amounts to 90,513 short tons. There have been some estimates that the government would realize annual revenues of approximately 60 million sucres (US\$3.3 million) from the new sugar regulation, compared with approximately 22 million sucres (US\$1.2 million) under previous participation plans.



# CHEESE



*Some members of the flavorful cheese family produced in the United States.*

For the past 10 years cheeses of all varieties and origins—from the red-coated Edam of Holland to the blue-veined Roquefort of France—have been enjoying both a production and export boom.

World cheese production soared from 6,824 million pounds in 1960 to 10,144 million pounds in 1969—an increase of nearly 50 percent. Likewise, world trade galloped from 932 million pounds in 1960 to 1,442 million pounds in 1968—a 55-percent rise.

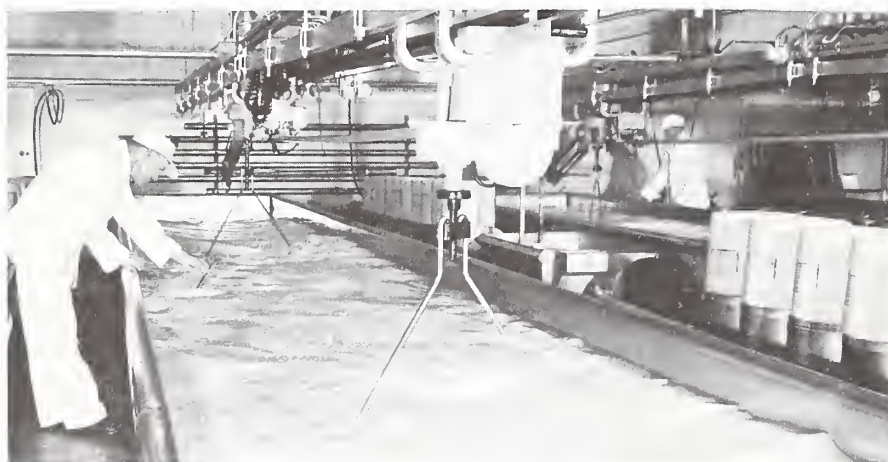
Reasons for the brisk production and movement include the necessity of transforming more milk (particularly in the EC countries) into a concentrated and less perishable food product, plus a rising demand from those who recognize the protein value of cheese and respect it as a palate pleaser.

## Pre-Muffet days

Curds and whey achieved fame centuries before the advent of little Miss Muffet. According to an ancient legend, cheese was accidentally discovered by an itinerant Arabian merchant. At the end of a long, hot journey across the desert, the traveler found that the milk he had poured into his sheepskin pouch hours earlier had separated into a palatable semisolid substance (curd), and a watery liquid (whey). The merchant had chanced upon a natural miracle, for the sheep's-stomach pouch had not been thoroughly cured, and rennin (an enzyme found in all animal stomachs) had triggered the process whereby milk casein coagulated into a semisolid.

According to archeological findings, cheese was enjoyed by civilizations as ancient as the Sumerians (4,000 B.C.). In early literature it is mentioned as a common food. David was delivering cheese to Saul's camp when he met with Goliath, and Ulysses encountered cheese in the Cyclops' cave. Roman soldiers carried the food for sustenance during "forced marches," and spread the art of cheese-making throughout the Empire.

The Greeks called the wicker baskets used to drain cheese *formas*—which became *forma* in Latin and eventually *formaggio*, the Italian word for cheese, and *fromage*, the French word. The Latin word for cheese, *caseus*, was the source of the German *käse*, the Dutch *kaas*, the Irish *cais*, the Welsh *caws*, the



*Some steps in the Cheddar process: Above, milk is heated and stirred after addition of rennet and starter; right, curd is turned to matt and complete whey drainage and acid formation; below, curd is prepared for salting and pressing.*





# The Big Wheel of Production and Trade

Portuguese *queijo*, and the Spanish *queso*. The Anglo-Saxons called it *cese* or *cyse*, which became *chese* and today's *cheese*.

Cheeses are usually produced through the combined action of a lactic acid starter and rennet (made from rennin) upon milk; a few like Cream cheese are initiated through the action of lactic acid. Differences among cheeses are due to countless factors, ranging from the source of milk (cow, sheep, goat, buffalo, or even yak) to the length of time the cheese is cured.

## Cheese classifications

In a general way cheese may be classified into hard and soft types—depending mainly on the amount of moisture left in the curd. These run the gamut from very hard (grating) Parmesan, to hard Cheddar and Swiss, semihard Brick, Muenster, and Limburger, and the soft Cream, Brie, and Camembert.

Cheeses may also be classified as to the method of ripening (by mold, or surface micro-organisms, or a combination of the two), or as unripened. One of the most famous ripening agents is the propionic acid bacteria that makes the "eyes" in Swiss cheese; another is the *Penicillium Roqueforti* mold which is responsible for the blue veins in the sheep's milk Roquefort and cow's milk Blue.

## Accident-prone food

Cheese may be called the most accident-prone food. Its development through the centuries was not the result of scientific planning but of chance discoveries. A shepherd boy in Roquefort, France, accidentally left his lunch of rye bread and ordinary curd cheese (made from sheep's milk) in a limestone cave. Returning

several weeks later, he found his lunch transformed into what is now the world-renowned Roquefort.

Accidental changes in one or more steps of the cheesemaking process have led to the development of different kinds of cheese.

Today there are some 800 names of cheeses. However, they are not all distinctive types as many with different local names have actually the same characteristics. A host of cheeses are named for the town or area in which they are made: Emmentaler (Swiss) cheese is named after the Emme Valley in Switzerland; the odorous Limburger after Limberg, Belgium; Cheshire after the English village of Chester; and Parmesan after Parma, Italy.

## Pride of nations

Every country in the world has developed its own distinctive cheeses. England is famous for its Cheshire, Cheddar, and Stilton; France for its Brie, Roquefort, and Camembert; and Italy for its Gorgonzola, Parmesan, Provolone, and Mozzarella. Switzerland's Emmentaler (Swiss) cheese is known and copied the world over, and both Switzerland and France lay claim to the smaller eyed Gruyère. For centuries the Netherlands has been famous for Gouda, Edam, and Leyden; Greece, for Feta, made of goat's milk.

## U.S. developments

U.S. cheesemakers are also adept at separating the curds and whey, and have added several new members to the cheese

family. Among these are: Cream cheese, Pineapple cheese (named for its shape and the diagonal corrugations on its surface that resemble the scales of a pineapple), Liederkranz, Poona, and Brick (building bricks were originally used to press the curd into its mold).

Cheese came early to the United States. In fact, several balls of Edam arrived with the Pilgrims on the Mayflower. Cottage cheese was produced by housewives up and down the 13 colonies, and the Cheddar cheese of England was made with varying success in many homes.

In 1851, Jesse Williams (a Cheddar cheesemaker) founded the first cheese factory in the world at Little Falls, New York, situated near the head of the Erie Canal. For many years Little Falls was the site of the world's largest cheese market—selling the produce from 200 factories. As the popularity of Cheddar grew it became known as American Cheddar or simply American cheese.

In 1870 the first cheese factory in Europe opened in Derby, England, initiating the switch away from the home dairy operation in an area where it had been practiced for centuries.

The art of cheesemaking in the United States spread westward with the population and centered in the rich farm lands of Wisconsin, where the settlers made cheese types they had known in Europe.

Today over 2 billion pounds of cheese are produced each year in the United States, and the outlook is for continued growth in production and trade—both here and abroad.

—A.L.B.

Cheese Production and Exports  
of Major Suppliers

Country	Production		Exports	
	1960	1969	1960	1968
	<i>Mil. lb.</i>		<i>Mil. lb.</i>	
Netherlands .....	447	631	240.6	336.8
France .....	874	1,609	68.9	197.3
New Zealand .....	212	216	177.9	191.2
Denmark .....	250	240	167.4	146.2
Switzerland .....	152	203	66.4	100.8
West Germany ...	360	<sup>1</sup> 415	( <sup>2</sup> )	98.7
Australia .....	103	160	41.8	75.4
Italy .....	966	853	51.7	54.1
Finland .....	67	77	37.4	34.0
United States .....	1,628	2,003	9.1	6.8

<sup>1</sup> Estimated. <sup>2</sup> Not available.

*A French worker turns cheese to cure it evenly. The length of time a cheese is aged is just one of the factors accounting for the multitude of cheese varieties.*



# New Trends in Flue-Cured Tobacco Trade

By HUGH C. KIGER  
Tobacco Division, FAS

Since November 1965, when Rhodesia's unilateral declaration of independence resulted in a United Nations trade embargo, world flue-cured tobacco trade has undergone dramatic changes. As one of the leading flue-cured producing nations during the early 1960's, Rhodesia had gained 30 percent of the world's flue-cured exports by 1965. By 1969, however, UN sanctions had forced a drastic decline in Rhodesia's tobacco exports, leaving an opportunity for other exporters to increase their share of the market.

While much of the Rhodesian market has since been taken up by U.S. tobacco supplies, other smaller exporting countries have also greatly increased their production and are helping to fill the gap left by Rhodesia's reduced competition.

Reflecting a growing demand for blended cigarettes, world flue-cured production rose to an estimated 3,771 million pounds in 1969—an increase of 110 million pounds or 3 percent over the previous year. Total area harvested, about 3.0 million acres, remained at about the same level as the previous year, indicating that the increased production was largely due to improved yields.

FLUE-CURED TOBACCO PRODUCTION  
IN SELECTED COUNTRIES

Country	Average 1960-64	1967	1968 <sup>1</sup>	1969 <sup>2</sup>
	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>
United States .....	1,335,248	1,263,159	981,541	1,057,991
Canada .....	183,684	204,267	211,274	230,000
Mexico .....	6,164	10,582	12,787	15,159
Argentina .....	21,845	35,404	50,895	49,590
Brazil .....	119,215	131,923	125,703	168,112
China, Mainland .....	538,820	903,886	881,840	837,750
India .....	183,937	203,374	208,555	235,451
Korea, South .....	56,072	103,845	110,960	134,326
Pakistan .....	22,510	76,900	81,500	85,000
Philippines .....	72,139	72,752	97,774	99,207
Thailand .....	22,911	36,029	41,182	43,496
Rhodesia .....	224,544	200,000	128,000	132,000
Tanzania .....	3,455	10,123	15,000	14,000
Uganda .....	1,939	4,256	6,048	7,168
South Africa .....	28,419	23,700	47,000	47,300

<sup>1</sup> Subject to revision. <sup>2</sup> Preliminary.

SELECTED IMPORTS OF UNMANUFACTURED TOBACCO BY THE UNITED KINGDOM, WEST GERMANY, AND JAPAN

Country of origin	United Kingdom <sup>1</sup>			West Germany <sup>2</sup>			Japan <sup>3</sup>		
	1965	1967	1969	1965	1967	1969	1965	1967	1969
	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>
United States .....	90,855	132,560	134,672	94,386	115,052	106,438	27,515	40,060	39,775
Canada .....	36,583	45,998	56,134	2,338	1,099	644	332	—	—
Brazil .....	—	—	—	14,935	14,196	13,194	—	—	—
Mexico .....	—	—	—	886	4,750	11,851	—	—	—
India .....	36,202	54,650	48,443	65	114	235	1,482	5,891	6,529
Pakistan .....	9	2,197	6,550	—	—	—	—	—	—
South Korea .....	—	2,520	6,368	578	3,797	3,901	—	44	—
Thailand .....	4	2,682	2,652	3,129	5,397	5,281	3,739	3,307	3,458
Tanzania .....	335	5,428	7,582	—	—	—	—	—	—
South Africa .....	7,771	9,974	16,700	—	165	2,301	—	—	—
Rhodesia .....	81,700	—	—	<sup>4</sup> 36,406	5,156	1,236	11,740	—	—

<sup>1</sup> Imports are 95.5 percent flue-cured. <sup>2</sup> Imports are 50 percent flue-cured. <sup>3</sup> Imports are 65 percent flue-cured. <sup>4</sup> Includes Rhodesia, Zambia, Malawi.

Flue-cured output rose significantly in the principal producing areas—including the United States, Canada, and India—as well as in smaller producing countries such as South Korea, Brazil, Mexico, Pakistan, and the Philippines.

Most of the countries which are producing more flue-cured tobacco have been able to increase their total unmanufactured tobacco exports substantially, and a major portion of increased trade is believed to be in flue-cured leaf. For example, South Korea's total tobacco exports have increased from an annual average 621,000 pounds during 1960-64 to 44.3 million in 1969; and Thailand's unmanufactured tobacco exports have increased from 6.8 million to 26.7 million pounds during the same period. Significant export increases have also been recorded in Brazil, Argentina, Mexico, the Philippines, Pakistan, and South Africa. Most of these countries have had the advantage of maintaining relatively low flue-cured export prices, while high production costs pushed the U.S. export price to 104 cents per pound by 1969. However, the superior quality of the U.S. leaf greatly diminishes any competition from most other countries. Accordingly, U.S. exports of unmanufactured tobacco have increased from 497.2 million pounds in 1960-64 to 577.1 million pounds in 1969.

West Germany was the largest importer of unmanufactured tobacco in 1969 with imports of 339.7 million pounds, an increase of about 11 percent over the 1968 total. Imports from the United States, West Germany's main source of unmanufactured tobacco, totaled 106.4 million pounds in 1969, an increase of about 24 percent over the previous year. Substantial increases were also reported for imports from Canada, Brazil, South Africa, India, Indonesia, Japan, and Mainland China. However, West Germany's combined imports of unmanufactured tobacco from Rhodesia, Zambia, and Malawi have dropped from 36.4 million pounds in 1965 to 3.4 million pounds in 1969.

The United Kingdom's total unmanufactured tobacco imports decreased from 328.4 million pounds in 1968 to 305.4 million pounds in 1969. Lower import levels were recorded from the United States, India, Pakistan, Thailand, and Tanzania, while imports from Canada, Uganda, South Africa, South Korea, and Taiwan increased. Rhodesia's tobacco exports to the United Kingdom have dropped from 81.7 million pounds in 1965 to none in 1969, because of the sanctions against Rhodesian trade.





# Brazil Modernizes Its Mixed Feed Industry

By SHACKFORD PITCHER

Acting U.S. Agricultural Attaché, Rio de Janeiro

A remarkable modernization of the Brazilian feed industry has taken place during the past 3 years, thanks mainly to the creation of larger manufacturing units and the entrance into the market of several international firms. Six major firms have been established in São Paulo, all but one of which operate feed plants in other States as well.

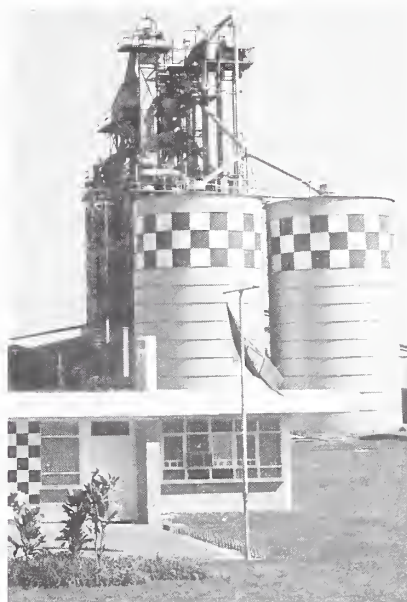
The volume of commercially mixed feed turned out by Brazil's feed industry is estimated at 120,000 metric tons monthly—about half of which is produced in São Paulo. Some 60 percent of this volume is feed concentrates, which are shipped to farms and local mixers for mixing, mainly with corn. The rest is commercial feed.

## Kinds of feeds

About 70 percent of the commercial feed is poultry feed, 15 percent to 20 percent dairy feed, and about 5 percent hog feed. Poultry feed goes to Brazil's large, modern, poultry industry centered in São Paulo and adjacent to major poultry-consuming centers in other States. Aside from dairy feed, hardly any commercial feed goes to Brazil's large cattle population—well over 60 million head. Dairy feed is generally protein concentrates, such as cottonseed cake, and is generally used during the winter months—the dry season in south Brazil—when pastures are inadequate. The rest of the cattle—beef animals—are almost all raised and fattened only on pasture. Hogs, which are raised mainly in the southeastern five coastal States, are fed little but corn, production of which centers in that area.

## Past feed production

Until the recent modernization of the feed industry, much commercial feed was produced by flourmilling companies which mixed and sold feed to take advantage of wheat by-products. Also, a small volume of feed was manufactured by specialized firms and several cooperatives.



*Clockwise from left: quality control laboratory runs analyses on incoming feed-stuffs before unloading; unloading bagged corn at a feed mill; modern feed mill near Campinas, São Paulo, began operating in mid-1967.*

Although Brazil has long produced practically all the ingredients necessary for feed manufacturing, until only a few years ago a limited demand existed for complete balanced feeds—partly because of the traditional livestock and poultry practices followed. Further, many farmers could mix a reasonably good feed more cheaply on the farm than they could get it commercially. And finally, the lack of a steady supply of ingredients of uniform quality—still a problem—hindered development of the feed business.

## Present situation of the industry

Today, unlike 5 years ago, feed manufacturers produce quality products at competitive prices and are highly competitive with each other for markets. The farmer benefits by a better product and more services from mixed feed companies.

But the industry is not without problems. Mixed feeds have recently come under price control. And most of the ingredients used for making mixed feed now are subject to a value-added tax which increases feed costs to end purchasers by about 10 percent. The outlook for poultry feeds is brightening, however, because, with beef prices increasing (the Brazilian Government recently stopped intervening in the beef market), poultry can compete more effectively for Brazilian housewives' food expenditures.

In spite of the dependence of Brazilian mixed feed companies on poultry raisers as customers, specialized feed companies in Brazil generally have not found it necessary to branch out into related activities such as the financing of poultry producers or the processing and marketing of poultry products. Instead they are concentrating on expanding the volume of their operations without attempting to undertake the prob-

lems that vertical integration would entail.

### Quality control of ingredients

Because of Brazil's large domestic production of major feed ingredients such as corn, soybean meal, cottonseed cake, peanut meal, blood meal, and bone meal, the principal feed manufacturers seldom have raw material supply problems except when too many of these ingredients are exported. But quality of raw materials is a problem because the protein concentrates and animal-byproduct ingredients come from a range of suppliers, many of whom do not have the equipment or quality control to provide a standardized product. As a result, most feed manufacturers must continually run laboratory tests on their raw materials. In addition, they import some feed ingredients such as vitamins and medicaments—mainly from the United States.

## A Look at Indonesia's Complicated Grain Situation

Indonesia's grain picture for 1970 is one of contradictions. The Indonesian Government has estimated that, although 1970 rice production will increase, imports of rice will also. Despite a drop in its 1970 corn production, exports of this grain will be some 49,000 tons greater than in 1969. And even though Indonesia is a large importer of flour, its imports in the future will change to grain.

*Wheat and wheat products.*—Wheat-equivalent imports during 1970 are expected to be 720,000 tons, up from 550,000 tons in 1969. Flour was the principal import in 1969, but the opening in early 1971 of a new flour mill will result in some wheat grain imports beginning around the end of this year. The construction of new flour mills over the next 3 or 4 years will cause an almost complete shift from flour imports to imports of grain.

The greatly increased availability of flour during the past 2 years has led to a bakery and noodle factory "explosion" in Indonesia. The large cities are well supplied with bread and noodles; there is still room for expansion of the industries into the smaller towns and villages. If the supply of flour remains abundant, per capita consumption will probably continue to increase as bread, in particular, becomes a commonplace in the countryside.

*Rice.*—Better rice yields are expected owing to wider use of improved varieties; some officials estimate that production will increase from approximately 11.0 million tons in 1969 to 11.4 million tons in the current crop year.

Nevertheless, rice imports this crop year are expected to reach 842,000 tons—750,000 tons in current-year orders, the balance in carryover purchases from last year—compared with 579,000 tons during 1969. Imports in 1969 consisted of 279,000 tons of commercial imports, 36,000 tons of food aid from Japan and Australia, and 287,670 tons under P.L. 480. The bulk of the commercial imports in 1969 came in the fourth quarter of the year when the Government of Indonesia reacted to rising prices caused by the short 1969 dry-season crop. The bulk of the P.L. 480 rice was purchased under the same stimulus. The country will not be self-sufficient in rice in the foreseeable future.

*Corn.*—Although corn acreage remained almost stable in 1969 and 1970 (7.7 million acres), some of the best corn land was converted to rice. In order to maintain corn acreage near its previous level, some less fertile land was converted to corn

production. The result of this was expected to be a cut in corn production from 3.4 million tons in 1969 to 3.0 million tons in 1970. However, there will be no cut in corn exports to match the cut in production. Exports in 1969 were about 151,000 tons; they are expected to be around 200,000 tons this year. Indonesia exports large quantities of corn to Japan in order to develop that country's strong potential export market. Further, corn consumption in 1970 is expected to increase, owing principally to more animal feeding.

—Based on dispatch from JEROME M. KUHLE  
*U.S. Agricultural Attaché, Djakarta*

## South African Drought Damage

The Republic of South Africa has been suffering from a drought that has damaged crop and livestock output all over the country. First affected were the citrus crops in the Sundays River area. This was followed by a drop in what had started out to be a record corn crop. Adequate rain toward the end of the growing season would have added 2 million tons to the corn crop that was harvested.

Livestock have suffered in varying degrees—beef cattle less than sheep, which were particularly hard hit. On better managed ranches, where overstocking is not a problem, early-season rains produced abundant grass. On those ranches where grass had been held for winter use, it provided most of the bulk needed. Where supplemented by a molasses-urea lick, the forage proved adequate.

The situation for dairy cattle is less bright. Milk production is down. Instead of the usual dairy product surplus, there will be shortages this year; 1,000 tons of butter have already been ordered from New Zealand. Additional imports are anticipated later.

The drought also created problems for wheat farmers. Initially, land in the eastern region of the Orange Free State and the Transvaal was too dry to plant, but recent rains in that area improved the situation. The wheat there was planted late and is not expected to do as well as usual. However, good rains at the right time could produce a fair crop. Recent rains in the western Cape area should help wheat crops there do better this year than they did last year.

—Based on dispatch from WILLIAM R. HATCH  
*U.S. Agricultural Attaché, Pretoria*





*Students enjoy snacks (top) prepared in the school bakery in a process which includes sifting (above), mixing (below), and baking (lower right).*



## Philippine School Bakeries Provide Students With Snacks and a Craft

Students in a growing number of Philippine schools are leaving the three R's for an hour or so a day and heading for the school bakery where they prepare snacks made from U.S. wheat for their own classmates and those in schools in surrounding areas.

The school bakery program was initiated in 1964 in one school with the backing of Western Wheat Associates (FAS wheat cooperator in Asia). Between 1964 and 1968, 13 pilot bakeries were set up in various parts of the Philippines, and during the past 3 years bakeries have been installed in 102 schools.

The program makes it possible for school children throughout the country to get good-quality wheat foods—usually in the form of rolls or pastry—on a daily basis. In addition, the school bakeries are

an important part of the Philippine schools' home economics and vocational training programs.

Mrs. Ines Gatmaitan, coordinator of the school feeding program in the Philippines Bureau of Public Schools, recently visited the United States for training and consultation designed to strengthen the Philippine program. She attended a special 2-week course in baking and bakery management at the American Institute of Baking in Chicago, and also got a first-hand look at school feeding programs in Chicago, Washington, D.C., and New York City.

Mrs. Gatmaitan feels that the training she received during her visit will enable her to deal more directly with a number of technical problems related to baking and bakery operations.



# CROPS AND MARKETS SHORTS

## Weekly Rotterdam Grain Price Report

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	July 22	Change from previous week	A year ago
	Dol. per bu.	Cents per bu.	Dol. per bu.
Wheat:			
Canadian No. 2 Manitoba .....	1.95	0	1.92
USSR SKS-14 .....	( <sup>1</sup> )	( <sup>1</sup> )	1.84
Australian Prime Hard .....	( <sup>1</sup> )	( <sup>1</sup> )	1.87
U.S. No. 2 Dark Northern Spring:			
14 percent .....	1.90	-1	1.89
15 percent .....	1.96	-1	1.91
U.S. No. 2 Hard Winter:			
13.5 percent .....	1.78	-1	1.81
Argentine .....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
U.S. No. 2 Soft Red Winter ...	1.67	-2	1.66
Feedgrains:			
U.S. No. 3 Yellow corn .....	1.67	-2	1.47
Argentine Plate corn .....	1.77	0	1.66
U.S. No. 2 sorghum .....	1.48	+3	1.38
Argentine-Granifero .....	1.52	+2	1.38
Soybeans:			
U.S. No. 2 Yellow .....	3.33	-1	2.84

<sup>1</sup> Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

## Italian Imports of U.S. Grapefruit

The Italian Ministry of Agriculture has for the first time authorized unrestricted imports of U.S. grapefruit, during the period from October 1, 1970, through March 31, 1971. This action was taken after the United States protested Italy's discriminatory import treatment. The import period for the United States is the same as that granted other suppliers, except Israel whose imports are permitted year round.

As Italy began to liberalize imports of grapefruit around 1964 there was a tremendous upsurge in imports that has continued ever since. Imports jumped from 19,000 80-pound boxes in 1964 to 44,000 boxes in 1965 and 258,000 boxes in the first 11 months of calendar year 1969. Israel has consistently been the major supplier: in 1969 (January-November) Israel supplied 131,000 boxes.

The United States also requested that Italy lift its import embargo on fresh grapes; but this liberalization was turned down for plant quarantine reasons.

## Smaller Australian Hop Harvest

1970 Australian hop production is currently placed at 3.9 million pounds, 19 percent below last year's record crop.

Despite record beer production, Australia's hop usage fell in 1969. This decline, coupled with the record harvest, has contributed to an overwhelming domestic surplus. Beginning stocks in 1970 more than surpass a year's hop requirements.

In an effort to reduce production, the hop industry has proposed a voluntary 10-percent acreage reduction. How-

ever, unexpected fine yields of the new hop varieties could tend to offset the growers' efforts. In addition, the industry has appealed to the Commonwealth Government for financial assistance in disposing of the surplus. Thus far, the government has shown no desire to become involved.

## AUSTRALIA'S HOP SUPPLY AND DISTRIBUTION <sup>1</sup>

Item	1967	1968	1969	1970
	Million pounds	Million pounds	Million pounds	Million pounds
Beginning stocks (Jan. 1) .....	3.6	3.1	3.4	4.4
Production .....	3.2	4.3	4.8	3.9
Imports .....	0.3	0.2	0.1	neg.
Total supply .....	7.1	7.6	8.3	8.4
Exports .....	—	—	0.2	0.7
Domestic disappearance .....	4.0	4.2	3.7	3.6
Ending stocks (Dec. 31) .....	3.1	3.4	4.4	4.1
Total distribution .....	7.1	7.6	8.3	8.4

<sup>1</sup> Detail may not add to totals owing to rounding.

## Canada's Oilseed Acreage Expands

Rapeseed plantings in 1970 in the Prairie Provinces of Canada are estimated to be a record 4.0 million acres, an increase of 96 percent from the 1969 level of just over 2.0 million acres. Flaxseed plantings—which are also at a record level—increased by 45 percent to 3.5 million acres, compared with 2.4 million last year. These estimates are based on the June 1 survey which was released by the Dominion Bureau of Statistics on July 16.

These expanded acreages of rapeseed and flaxseed replace 3 million acres of the 12 million acres that were removed from wheat acreage in Canada this year.

## Malaysian Palm Products Trade

Preliminary trade figures for 1969 again show that Malaysia has retained its position as a leading exporter of palm oil. Its 1969 exports of this commodity—at more than 323,000 long tons—were 59,682 tons greater than in 1968; last year's exports of palm kernels were also up but the increase was not as pronounced. Exports of crude coconut oil were more than 23,000 tons in 1969; those of refined coconut oil were approximately 1,400 tons. (Data refer only to the peninsula of West Malaysia.)

Malaysia, as a net exporter of palm oil, shipped 323,372 tons in 1969 while it imported only 60 tons. The latest export figure compares with the 1968 figure of 263,690 tons and is 23 percent greater than the 1968 exports. In comparison with the 1960 export volume, the 1969 export volume is 3½ times as large.

Malaysia's exports to Singapore appear to be 97,000 tons, nearly 15,000 tons greater than those made in 1968. However, most of this volume is reexported. Iraq, the United Kingdom, the United States, the Netherlands, and Canada are probably the major customers for Malaysian palm oil. All of these countries, with the exception of the United States, purchased more palm oil in 1969 than they did in 1968.



Exports to the United States dropped from 32,829 tons in 1968 to 29,528 tons the following year.

Malaysia was also a net exporter of palm kernels. Exports in 1969 were 34,323 tons; imports were only 3 tons. The 1969 exports were 6 percent greater than the 32,063 tons exported in 1968 and 49 percent greater than the 1960 export volume. Japan, with 9,607 tons, was the main purchaser of Malaysian palm kernels, followed in succession by Singapore, West Germany, the Netherlands, and the United Kingdom.

Malaysia—a net exporter of coconut oil—imported and exported both crude and refined coconut oils in 1969.

#### MALAYSIAN COCONUT OIL TRADE

Kind	Imports		Exports	
	1968	1969	1968	1969
	<i>Long tons</i>	<i>Long tons</i>	<i>Long tons</i>	<i>Long tons</i>
Refined coconut oil .....	1,235	1,456	354	1,396
Crude coconut oil .....	41	761	37,984	23,158
Total .....	1,276	2,217	38,338	24,554

The 1969 exports of the two oils (24,554 tons) are 34 percent less than the combined exports of 38,338 tons in 1968 and are 11 percent less than the average for the period 1960-67.

As a net importer of copra, Malaysia brought 6,463 tons into the country in 1969 and exported 2,246 tons. In 1968 it imported 7,006 tons and exported 3,537 tons. Malaysia's copra trade is small compared with what it was before the Indonesian-Malaysian "confrontation" of 1963-66. Inadequate supplies of both domestic and imported copra, especially from Indonesia, are the principal deterrents to the growth of the local copra trade.

## Austria's Dairy Surplus

Austria's Agriculture Ministry recently initiated a special domestic butter sale because storage stocks of butter had reached over 11 million pounds. The special sale provided for disposal of the entire stock of 11 million pounds at 45 cents per pound. This price represents a reduction of 35 percent from the prevailing retail price of 69 cents per pound for fresh butter. Most of the surplus butter was sold within a few days. No assessment has been made of the effect of the reduced price sales on marketings and sales of fresh butter while this special sale was in progress.

Austria's dairy surplus problem has been aggravated by increased milk production during the first 6 months of 1970. The problem became discernible late in 1969 when farmers curtailed marketings of milk cows for slaughter and export. Increased milk production was also stimulated by a downward adjustment of 21 cents in the check-off payment of 34 cents per 100 pounds required of dairy farmers for the industry's export sale promotion fund. Also, a quality premium covering 70 percent of milk deliveries and amounting to 12 cents per 100 pounds was introduced for Grade I milk. Thus, premium payments almost offset producers' check-off payments into the export promotion fund.

The Milk Marketing Board estimates that at the present rate of increased production 6.5 percent over last year, the \$70-million dairy subsidy appropriated for 1970 will have to be increased by \$12 million. This increase in dairy price support cost strains the already tight Austrian budget.

The Agriculture Ministry and the Milk Marketing Board are now discussing ways to cope with this significant increase in milk production and the resultant surpluses of dairy products. Some officials feel that nothing short of reimposing a high producer check-off payment for the dairy industry's export fund will bring about the desired results.

## Guatemala's Tobacco Industry

For the first time since 1967 Guatemala has reversed its downward trend in tobacco production, with a 13-percent increase in 1970. Output, estimated at 5.3 million pounds, compares with 4.7 million in 1969 and a record 8.8 million in 1967. It was almost equally divided among burley, flue-cured, and dark air-cured tobacco. This year's production rise is largely due to the increased acreage, up 19 percent from a year earlier.

Guatemalan trade sources indicate that all types of tobacco except flue-cured and oriental tobacco increased this year in comparison with 1969. Although the 1970 harvested acreage of flue-cured tobacco exceeded the 1969 level by 9 percent, production of this type fell by 11 percent on account of the poor yields caused by excessive rain. Production of burley—under large acreage—increased by 71 percent to 1.8 million pounds from 1.1 million. Production of dark air-cured rose by nearly one-fourth, to 1.7 million pounds. A reduction in oriental tobacco acreage—in an effort to reduce excessive stocks from the previous harvest—resulted in the production of only 22,400 pounds of this tobacco, compared with 288,000 pounds a year earlier.

Guatemala also trades a small quantity of unmanufactured tobacco and tobacco products. During calendar year 1968, the value of leaf tobacco and tobacco products imported amounted to \$236,000, while exports of these items were valued at \$1.2 million. Nearly all of the imports were leaf tobacco, while exports were primarily cigarettes. Most of Guatemala's trade is conducted with other members of the Central American Common Market.

Cigarette production in 1969 is reported to be 2.7 billion pieces, 3.5 percent above 1968; cigarette sales, however, rose only 1 percent and were reported to be 2.1 billion pieces. The difference between production and domestic sales of cigarettes is likely to be reflected in increased exports.

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Foreign Agriculture

## Canada's Mid-Year Dairy, Poultry, and Meat Situation

Milk production in Canada continued upward during the first half of 1970. However, a decline is expected to start soon, since the increase is largely attributed to a change in the seasonal milk production pattern rather than any marked uptrend in milk output and since the government is imposing heavy penalties for overquota deliveries of manufacturing milk. Probably a high rate of dairy herd culling took place this spring.

Egg marketings throughout Canada were up 10.4 percent during January-April 1970, compared with the same period a year earlier, and prices have remained strong. But unless culling of pullet layers increases sharply, the industry will face serious trouble in late 1970 and early 1971. More eggs will be produced than the market can absorb without sharp price reductions. Present indications show that by October pullet layer numbers in Canada will total 25.5 million birds, compared with 22.4 million in October 1969.

During the first 4 months of 1970, poultry meat marketings were up 8 percent, compared with the same period in 1969. Domestic disappearance increased 14 percent during the same period. Broiler chicken production, which has been expanding in every Province, is expected to continue on the upward trend during the summer months.

While poult placements for broiler turkeys increased by 25 percent in the first 4 months of 1970, turkey marketings were down 13 percent during that period and domestic disappearance was also below levels of a year earlier. However, marketings of broiler turkeys from May to August have been forecast at 3.9 million birds, up 22 percent from that period in 1969. Some live turkeys are moving to the United States, but that trend will largely depend on the U.S. price and supply situation in the coming months. Canadian turkey prices are expected to come under strong pressure during the summer.

Canada is currently in a net export position with respect to pork. Hog numbers increased by about 17 percent in the first quarter of 1970, with substantial increases also reported in farrowings. The Dominion Bureau of Statistics estimates that marketings will be up about 13 percent for the third quarter of 1970 and up about 17 percent for the last quarter of 1970

and first quarter of 1971 combined.

Inspected slaughter of beef for the spring of 1970 dropped slightly in comparison to 1969. There was a sharp drop in the slaughter of females, but some increase in the slaughter of steers, indicating that producers are rebuilding their herds by retaining females. With the decline in slaughter, Canadian beef prices strengthened during the first quarter of 1970, increasing by about 12 percent over that period a year earlier.

Both exports and imports of beef and veal increased during the first quarter of 1970. Exports totaled 21.7 million pounds for dressed beef and veal during January through March 1970, compared with 11.1 million pounds for the first quarter of 1969. Imports during that period totaled 21.4 million pounds compared with 7.6 million pounds a year earlier. During 1970, Canadian fed cattle marketings are expected to increase somewhat above the 1969 volume.

—Based on a dispatch from ALFRED R. PERSI  
Assistant U.S. Agricultural Attaché, Ottawa

## FAS Special Reports List

The Foreign Agricultural Service Special Reports List includes publications on foreign agricultural situations, particularly relating to agricultural commodity and trade policy developments.

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Publications most recently issued are: *The Canned Deciduous Fruit Industry of Spain*, revised June 1970, FAS-M-119; *Grain in the European Community*, June 1970, FAS-M-218; and *Cotton in Tanzania*, June 1970, FAS-M-219.